

MINUTES

**MONTANA SENATE
56th LEGISLATURE - REGULAR SESSION**

COMMITTEE ON TAXATION

Call to Order: By **CHAIRMAN GERRY DEVLIN**, on March 2, 1999 at 8:00 A.M., in Room 413/415 Capitol.

ROLL CALL

Members Present:

Sen. Gerry Devlin, Chairman (R)
Sen. Bob DePratu, Vice Chairman (R)
Sen. John C. Bohlinger (R)
Sen. Dorothy Eck (D)
Sen. E. P. "Pete" Ekegren (R)
Sen. Jon Ellingson (D)
Sen. Alvin Ellis Jr. (R)
Sen. Bill Glaser (R)
Sen. Barry "Spook" Stang (D)

Members Excused: None

Members Absent: None

Staff Present: Sandy Barnes, Committee Secretary
Lee Heiman, Legislative Branch

Please Note: These are summary minutes. Testimony and discussion are paraphrased and condensed.

Committee Business Summary:

Hearing(s) & Date(s) Posted: SB 441, 2/18/1999; SB 487,
2/18/1999
Executive Action: SB 449, HB 405

HEARING ON SB 441

Sponsor: SENATOR B. F. "CHRIS" CHRISTIAENS, SD 23, GREAT FALLS

Proponents: Ronda Carpenter, Montana Housing Providers
Dennis Burr, Montana Taxpayers Association

Opponents: Mary Bryson, Director, Department of Revenue

Opening Statement by Sponsor:

SEN. B. F. "CHRIS" CHRISTIAENS, SD 23, Great Falls, said that **SB 441** deals with the way that rental property is appraised and how the Department of Revenue treats them. This requests that, under certain conditions, the Department of Revenue defer using the capitalization of net income method of appraisal as an indicator of market value and instead use the market value of property as indicated by sales of comparable properties.

Proponents' Testimony:

Ronda Carpenter, Montana Housing Providers, which is a coalition of landlords associations across the state made up of approximately 1,000 members dedicated to providing affordable, decent housing to the citizens of the state of Montana, has requested **SEN. CHRISTIAENS** to bring this legislation. She said that it deals with a statewide problem in regard to the appraisal of rental properties in Montana. She provided the committee with a packet of information, **EXHIBIT (tas47a01)**.

Ms. Carpenter referred the committee to the letter from the Department of Revenue which requests that landlords send copies of their leases to the Department and asks for information that many members of the association felt was unnecessary for the Department to know. It was discovered that these forms are optional and do not have to be completed, and therefore, many of the landlords in Montana did not participate.

Ms. Carpenter said that it has been learned that the Department has started using capitalization of net income to arrive at a value for rental properties. She then referred to the portion of a "Small Residential Income Property Appraisal Report" included in Exhibit 1 as an example of a fee appraisal. She said that in doing a fee appraisal, comparable sales of the property are determined through the multiple listing service, then the cost less depreciation comes up with a third approach, and then a capitalization of net income is figured. She said that a bank will not loan money on income approach only. They want the income approach to justify the comparable sales. She also said that it is a fact that the amount of money that can be borrowed against a piece of property drives the market value. In addition, state law says that you must use market value to appraise property.

Ms. Carpenter then pointed the committee to the Buyer's Closing Statement which showed the purchase price of rental property that she and her husband purchased for \$78,489, dated January 28, 1998, and two tax bills from June 1998 which reflected a total of

\$142,800 as value for this same piece of property. The last page of her information packet was the AB-26 form she had filled out in protest of this assessment. The AB-26 form reads, "After external review, find income ... supports assessed value. No change." She said that they then appeared before the Tax Appeal Board, and the Board changed this. She said this is not an unusual situation.

Ms. Carpenter said that the landlords are not asking the Department to stop using the capitalization of net income method of appraisal, but they are requesting that the Department set a common appraisal method as a standard and look at not only the capitalization of net income, but also comparable sales and cost less depreciation to come up with a fair market value. She said this would provide fairness in taxation for the people who provide housing for the citizens of Montana.

Dennis Burr, Montana Taxpayers Association, said a simple explanation of capitalization of income is that if you earn \$100 in income, and a normal rate of return for whatever business you are in is 10%, you work backwards to find that the value of the property is \$1,000. However, circumstances can cause the normal rate of return on that property to drop to 5%, which makes that property value \$2,000.

Mr. Burr said that he feels that all properties should be assessed in the same manner, so it is the business and how it is run that decides what its income will be and what its profit will be, and the property tax system should not be skimming off some of the income of the person who runs a better business than another. He said that is covered by the income tax. He said he is in favor of not using the capitalization of net income method for this type of property when replacement cost or comparable sales are used for just about all other property that is assessed in this area.

Opponents' Testimony:

Mary Bryson, Director, Department of Revenue, said that **SB 441** will hinder the Department in achieving the market value in appraising property for property tax purposes. She said this bill does require the use of construction costs or comparable sales to value property if the income approach produces a higher value, and this will prohibit a sound estimate of market value of income-producing property when sufficient information is present to use this approach.

Ms. Bryson said this bill is directly contrary to the Montana Supreme Court's decision in Albright v. Department of Revenue, in

which the court said that market factors must be taken into consideration when determining market value. In particular, construction costs often do not determine the true market value of the property because two structures with the same construction costs can sell for widely different prices, depending upon their location. Thus, construction costs alone cannot adequately determine market value. In addition, the market approach which uses a compilation of comparable sales also may not produce adequate information because there may not be comparable sales of like commercial properties in that area.

Ms. Bryson said the income approach for the Department can be a very valuable tool to determine market value when sufficient information exists. It is used to determine the value of commercial property. The theory is that a commercial property's value is determined based on its ability to produce income.

Ms. Bryson reiterated that the request for information mentioned by **Ms. Carpenter** is strictly voluntary. She also said that the Department does use the cost approach on 100% of the property throughout the state and the market value approach or the comparable sales approach primarily in residential and vacant lot arenas.

Questions from Committee Members and Responses:

SEN. ELLIS asked the Department to explain the income approach, and whether changes in interest rates, et cetera, are considered. **Randy Wilke, Department of Revenue**, said that in terms of the use of the income approach, the Department uses income and expense information from taxpayers, which is capitalized through use of a rate which varies for properties because it is property-type specific. In determining the value of that property, it is a function of simply dividing the net income by that particular capitalization rate to give an indication of value for individual pieces of property.

SEN. ELLIS asked about the different capitalization rates used for different types of property, and whether that capitalization rate for apartment houses, for instance, changes or is constant, and **Mr. Wilke** said that it will stay in place for that reappraisal cycle for that particular property.

SEN. ELLIS asked how the Department may have come up with the appraisal in the example of **Ms. Carpenter** of almost exactly twice what the property was purchased for in the same time frame. **Mr. Wilke** said that it is sometimes difficult to respond to a given piece of property without looking into it and obtaining more information.

SEN. ELLINGSON said that financial institutions require an appraisal before loaning money on income property, and every appraisal relies on three components: 1) cost approach, 2) income approach, and 3) comparable sales approach. He said he reads this bill as requiring the state to throw out one of the components that a professional appraiser would rely on in determining market value if that component, income capitalization, produces the highest figure. He asked why they would require the state to use a standard of evaluating market value that would be significantly different from the standard that is applied in private business throughout the state. **Ms. Carpenter** said that that was not the intent, and that if the legislation says that, they would be willing to clarify that language. She said that the intent was that the Department of Revenue would be required to use the same procedures that are used in a fee appraisal instead of just relying on solely the income approach, which can be skewed excessively high.

CHAIRMAN DEVLIN asked which method of the three methods discussed is appealed most often, and **Mr. Wilke** said that there is not a great deal of trouble in any one of these three methods. He said the Department tries to analyze all three approaches to value property. **CHAIRMAN DEVLIN** asked if all three methods were used for every property, and **Mr. Wilke** said that some properties do not lend themselves to the income approach. **CHAIRMAN DEVLIN** then asked when all three methods are used and a comparison is made between the different methods when possible, how the Department determines which method to use. **Mr. Wilke** said that the Department uses the method that is most reliable, the one that requires the least number of modifications or changes, which may not necessarily be the highest but brings the best indication of value in comparison to similar properties in the area.

CHAIRMAN DEVLIN then asked if the Department, as a matter of doing business, compares the results of the three methods of appraisal on a lot of properties, or just occasionally when challenged, and **Mr. Wilke** said that they do it all the time.

SEN. ECK asked what percentage of the voluntary forms are completed and returned to the Department, and **Mr. Wilke** said that it varies with the income and expense information form. In some areas it is 30% to 40%, while in other areas it is 10% to 20%.

SEN. ECK asked if this might be a pretty skewed information, and **Mr. Wilke** said he thought that most people responding to this are factual and accurate. He reiterated that a value is assessed a particular property from a combination of all the information obtained in a given area and not just information received from these forms.

SEN. ECK asked if a property owner could go to the Department of Revenue and find out how their property is appraised using each of the three methods, and **Mr. Wilke** said absolutely, that that is encouraged.

SEN. GLASER asked how a duplex that had been opened up to allow access to the other unit for his mother-in-law, for instance, would be appraised, and **Mr. Wilke** said that generally this would be considered a single-family residence, but that when it is reconverted to a duplex, the Department would probably request income and expense information again.

SEN. GLASER then wondered why the bill had been brought if, in fact, there is no fiscal impact, and **SEN. CHRISTIAENS** responded that it is a fairness issue, that everyone needs to be appraised in the same manner. He said if the Department is truly using all three methods, there should be no opposition to this bill. He said that usually what happens, if a landowner doesn't agree with an appraisal, he has to fill out the AB-26 form, which is denied, and then they have to appear before the Tax Appeal Board, and sometimes the appraisal is lowered and other times it is not. If all three legs of the appraisal stool are used, there should be no problem, but it appears the Department is picking and choosing in doing appraisal of properties.

SEN. GLASER asked him to explain the AB-26 form, and **SEN. CHRISTIAENS** said it is the form that **Ms. Carpenter** had provided that is used to appeal the values of property. **SEN. GLASER** asked if the AB-26 is always denied, and **SEN. CHRISTIAENS** said that he has never submitted one that had not been denied, but when he appeared before the Appeal Board, almost every one had been lowered.

SEN. GLASER then asked **Ms. Bryson** what percentage of these forms is allowed and what percentage is denied, and she said that the AB-26 form is used as an informal process where the appraiser and the taxpayer have an opportunity to sit down and discuss their differences in regard to the property, but that she could not provide a percentage of that denial rate.

SEN. BOHLINGER asked how reliable the 10% to 30% response to requested income and expense information would be in determining the capitalization rate, and **Mr. Wilke** said that he feels that the capitalization rates determined by the Department are very comparable to what fee appraisers use to determine value. He said they obtain information from more sources than just the taxpayers, and it is all used in determining the rate.

CHAIRMAN DEVLIN asked what other properties are assessed using this capitalization method, and **Mr. Wilke** said that income-producing property is the key one, but it is also used for agricultural land and forest land. He said that for agricultural land there is a capitalization rate of 6.4% in place in statute. **CHAIRMAN DEVLIN** asked if this bill would affect that, and **Mr. Wilke** said that that rate is in place by law, and he did not know whether it would be impacted, but that he did not believe that it would be.

Closing by Sponsor:

SEN. CHRISTIAENS closed by saying that all this bill is doing is asking that everyone is treated the same. As **SEN. BOHLINGER** said, when only 10% to 30% return the income form, it really does not give a clear picture of what true values are based on the income approach. He said he feels that the fee appraisal approach is the best. It is more costly, but it does take into consideration the cost to income and the comparable value. The capitalization rate by itself does not take into consideration the external values and the external circumstances that may be going on. This provides that everyone is treated the same in appraisals of commercial properties.

HEARING ON SB 487

Sponsor: SENATOR GLENN ROUSH, SD 43, CUT BANK

Proponents: Elaine Mitchell, Comanche Drilling Company
Curt Dahlgard, Somont Oil
Gary Feland, J&G Operating
Joseph V. Montalban, MOGO Inc.
Jerome Anderson, Shell Oil Company
Dennis Burr, Montana Taxpayers Association
Gail Abercrombie, Montana Petroleum Association
Patrick Montalban, Northern Montana Oil & Gas
Association

Opponents: None

Opening Statement by Sponsor:

SEN. GLENN ROUSH, SD 43, Cut Bank, said that **SB 487** is an act clarifying that skidable, portable, and movable oil field equipment is class eight equipment for appraisal purposes. This bill amends Section 15-6-138, MCA, to define what needs to be shifted in the valuation of certain properties. He said that these items have been taxed as personal property for the past 40

to 50 years at the rate of 12%, and in the past decade that has been dropped to 6%. Approximately two years ago, without any public meeting or industry input, the Department of Revenue transferred all personal property to real property for taxation purposes in northern Montana. This was done by rule-making authority. He said when the industry heard of this change, they thought it was good news because the taxable rate would drop from a 6% rate to a 3.86% rate. In reality, the taxable value of the equipment was increased, therefore increasing the taxes.

SEN. ROUSH said that personal property in the oil field business has always included movable equipment that could be moved from county to county. The purpose of **SB 487** is to return all movable oil field equipment to personal property classification from real property classification.

SEN. ROUSH said that the Fiscal Note reflects a positive impact to the General Fund of approximately \$74,000, \$4,700 to the special revenue fund, and local government and schools reflect an increase in revenues of \$216,000.

Proponents' Testimony:

Elaine Mitchell, self-employed accountant and income tax preparer, Cut Bank, said she was appearing before the committee to ask their support of **SB 487**. She said that like the previous hearing this morning on **SB 441**, this bill deals with the appraisal of real property. She said that the definition of real estate is very, very clear: It is land and improvements. Personal property is not land or improvements, and it should not be taxed as real property. This bill offers clarity and consistency for the taxpayers of Montana.

Curt Dahlgaard, Somont Oil Company, said that his company has about 350 small stripper oil wells in Toole County. He said his company has about 60 stock tanks in which they store crude oil. When the Department made the change in valuation, the value of these tanks increased considerably. He said this needs to be changed back to the historical method of appraisal.

Gary Feland, J&G Oil Company, Shelby, said he supports this bill. He said his company went through the appraisal cycle and the appraised value of just their tanks was more than the property costs when oil was selling for \$40 a barrel. He said that Governor Racicot is trying to promote business in the state of Montana, and these kinds of situations cause businesses to jump through hoops which takes time and money.

Joseph B. Montalban, President, MOGO Inc., Cut Bank, said that he has been in the oil business in Montana since 1952. He said the Cut Bank field was discovered in 1935. At one time there were over 4,000 producing wells in that field; today there are probably 1,200 wells left, producing one, two and three barrels a day. The majority of these wells were drilled between 1935 and the late '70s and early '80s, when the price of oil escalated to \$30 to \$35 a barrel.

Mr. Montalban said that all oil field equipment is movable. It is not fixed and is not bolted to the ground and should be considered personal property, not real property. He provided a witness statement, **EXHIBIT(tas47a02)**.

Jerome Anderson, Shell Oil Co., said that his company is being taxed at one classification rate in one county and another classification rate in another county. This equipment, even around the United States, is classified as personal property, and this bill clarifies that.

Dennis Burr, Montana Taxpayers Association, said again that the definitions of real property and personal property should be noted. Real property is land and improvements; personal property is things that can be moved. Personal property cannot be redefined to be real property.

Gail Abercrombie, Executive Director, Montana Petroleum Association, said that she has discovered in the last year-and-a-half or two years that some of the members of their association are being appraised as real property and some are being appraised as business personal property. She said these items are movable and have always been considered business personal property, and in the last couple of years that has been switched to real property.

Patrick Montalban, Northern Montana Oil and Gas Association, said that the purpose of this bill is to maintain oil field equipment as business personal property, which is anything that can be picked up and moved. This bill is trying to deal with the inconsistencies in taxing and gives money back to the counties. The Department of Revenue does not have the right to change tax by rule-making authority. The people on this committee and the legislative process have that duty to their citizens.

Opponents' Testimony: None

Questions from Committee Members and Responses:

SEN. STANG asked **Mr. Wilke** why the decision was made to make this movable equipment real property, and he replied that the only thing on the list in this bill that might be real property would be very, very large storage tanks that aren't moved with great regularity, and large communication towers and the buildings. He said in his judgment, the rest of the items had been valued as class eight property and should continue to be valued at that rate. He said if there were situations where these things had been valued as real property, that was incorrect.

SEN. STANG asked what property the Department had decided is real property that was personal property, and **Mr. Wilke** said that in terms of what has occurred with this particular property, the oil companies have simply submitted information to the Department regarding what property exists. He said that several years ago they had had evidence that some of the property had not been reported, and they did on-site visits to clarify that.

SEN. STANG asked how these properties are valued in other states, and **Mr. Wilke** said that by and large, real property is valued the same way the Department values it. The other types of property, the personal property historically is treated as class eight property.

SEN. STANG asked what was considered a very large tank, and **Mr. Wilke** said he didn't know what the cutoff was, but probably the tanks at refineries would be in that category.

CHAIRMAN DEVLIN asked who in the Department determined that the change was needed and instigated the administrative rule change, and **Mr. Wilke** said, again, that they had done on-site visits and compared reports made by the oil companies to what actually existed on-site, and that moved into play the process of valuing that equipment. **CHAIRMAN DEVLIN** said that the Department would not have had to make administrative rule changes, but could just shift property from one classification to the other because the Department felt it fit better in the other class of property, and he asked if that was what the Department had done. **Mr. Wilke** said that he didn't know if any administrative rule change was necessary to determine how property is valued, if the law specifies how it is to be valued.

SEN. ELLIS said that the committee had heard of instances where the multiplier is less for real property, but their taxes went up, and other instances where taxes were about a wash, yet the Fiscal Note indicates that this property is going to pay higher taxes under class six. **Mr. Wilke** said that the Fiscal Note

reflects that the value of the properties that exist today on properties going from class four to class eight will be an increase in tax rate. **SEN. ELLIS** referred to technical note No. 1, "If the intent of the bill is to value these properties at the 'acquired cost' value, amendments should be offered to clarify those intentions," and he wondered how these properties could be valued at anything but what the market will create today. **Mr. Wilke** asked if he was saying the acquired cost method should be used for well jacks, and **SEN. ELLIS** specified current value. **Mr. Wilke** said that with respect to these types of property, they are class eight and have always been class eight, and that the Department uses an acquired trend depreciation.

SEN. ELLIS said that the technical note indicates that the Department is going to use something besides current value, and **Mr. Wilke** said that this bill does not change the way things are being valued presently in terms of the value of the properties. He said that value information is requested from the owners of the property on the forms they are asked to submit. **SEN. ELLIS** asked if class eight is revalued every year, and **Mr. Wilke** said that was correct.

SEN. ECK referred to the list on page 1, lines 16 through 20, of **SB 487**, and asked if it is only the oil field storage tanks above a certain size and the communication towers above a certain size that are now being assessed as real property, and **Mr. Wilke** said that was correct, and perhaps some water storage tanks and things that are very, very large. He said he could provide information of the break if that would be helpful. **SEN. ECK** asked if the class had been changed on these other items, and **Mr. Wilke** said that things that are movable and are not permanently fixed should be valued as class eight property. If there is some doubt in the owner's mind about values, then the Department needs to work with the owner to resolve that dispute.

SEN. ECK asked what the procedure was if a classification of these properties is changed, whether it is a local decision or something that is Department-wide. **Mr. Wilke** said that the Department tries to provide guidance in that particular area and also tries to gather information from the owners.

SEN. ECK then asked whether, regarding something that is likely to have some controversy statewide, the Department involves the Revenue Oversight Committee, and **Mr. Wilke** said that typically if there is something controversial, the Department tries to bring those to the attention of the Revenue Oversight Committee. He said he thought that this issue may have been one of those that was brought to the committee.

SEN. ELLIS said that **Ms. Mitchell's** testimony had indicated that she had some experience with oil field accounting, and she said that was correct. **SEN. ELLIS** asked if in her experience it was just very large tanks and very large towers that were being reassessed in a different manner, and **Ms. Mitchell** said that she had experienced personal property being reassessed as real property.

SEN. DEPRATU then asked **Ms. Mitchell** how long ago in her experience this practice had started, and she said it was approximately two years ago. She said the first indication of this was for a businessman in Cut Bank who had the Glacier County Treasurer crunch his numbers under a revaluation, and the difference was \$38,000. **SEN. DEPRATU** asked if it was most of his equipment that had been reclassified, and she said it was.

SEN. DEPRATU asked **Mr. Joe Montalban** the same question for his company, and he answered that the change took place two years ago in the summer, 1997. **Mr. Montalban** also explained that storage tanks in the oil field are sometimes 500-barrel tanks, 40 gallons to a barrel, but over the years the tank size has dropped from 500 to 250-barrel tanks, and presently there are a lot of 100-barrel tanks. Any of these tanks can be hauled on a flatbed truck. Refinery tanks hold 10,000 barrels, but they also can be dismantled and moved.

SEN. ELLINGSON said that it appears that this bill will provide a consistency which could result in an increase in taxes paid by the oil and gas industry, and **Mr. Patrick Montalban** answered that it is the consistency with the practice that has been in place for 40 years that they are wanting to assure. **SEN. ELLINGSON** said that even though the industry may pay more in taxes, it is their wish that the practice continue of classifying this property as class eight property, and **Mr. Montalban** said that was correct.

SEN. EKEGREN asked **Mr. Wilke** how people are notified of a change in classification, and he responded by saying that the property owner would receive an assessment notice in the spring that advises them that the value has been changed.

SEN. STANG asked **Mr. Wilke** about a change in classification, and whether there is notification of that change, and he answered that whenever a piece of property changes from one class to another, there is a collateral impact on taxable value because tax rates are not the same between classes of property. He said that if there were situations where the actual assessed value of the property didn't change from one class to another, but they

were moved from one tax class to another, there would be a change on taxable value and the property owner would be alerted to that.

SEN. ELLIS said that **Mr. Joe Montalban** had indicated that any tank is movable, and he asked **Mr. Patrick Montalban** about that. **Mr. Montalban** said they had tried to define true oil field equipment, 250-barrel stock tanks and 500-barrel gun barrels. He said that large refinery tanks were not intended to be included, or the large communication towers. **SEN. ELLIS** asked, then, if that would mean tanks of less than 1,000 barrels at least, and **Mr. Montalban** said that that would be overkill. He said there are very few tanks in the oil business that are 1,000 barrels.

SEN. GLASER asked who in the Department was the lead person who prepared the Fiscal Note, and **Mr. Wilke** said it was Dallas Reese.

Closing by Sponsor:

SEN. ROUSH closed by saying that perhaps the definition of the size of tanks should be clarified if the committee felt that definition needed to be included in the bill. He said that perhaps Shell Oil Company might have tanks larger than the 500 barrel tanks.

SEN. ROUSH said the price of oil today is around \$7 a barrel, and that has influenced the oil industry in Montana. He said these companies are producing, they are hiring people in the local community, and they pay taxes in the local community, and the purpose of this bill is to try to give them a little property taxation relief and define what will be real property in that business and what will be personal property. He urged support for **SB 487**.

EXECUTIVE ACTION ON SB 449

Motion: **SEN. STANG MOVED THAT SB 449 DO PASS.**

Discussion:

SEN. STANG said that he believes this is what the legislature thought they were doing last session, and it makes sense.

SEN. DEPRATU said that he felt last session that the depreciation was spread out over too long a period for pickups and SUVs because they were looking at market value as opposed to book value, but that market value has dramatically changed and this puts it in a realistic depreciation schedule.

CHAIRMAN DEVLIN asked **SEN. DEPRATU** why he had not signed the Fiscal Note, and he responded by saying that he felt that it was a little bit high.

SEN. ECK said that she likes the bill, but she has concerns about the cumulative impact of all the various bills on the local governments and schools and whether they are going to be made whole.

SEN. GLASER said that this bill fits with **SB 260** and with the capping by **SEN. DEVLIN'S** amendment. He said this bill adjusts which percentage these various types of vehicles use and it won't reduce revenue to local governments because the amendment regulates what that is. All this bill does is change the percentages of who pays what.

SEN. ELLINGSON said that one of his concerns is the impact on local government, but that he reads the Fiscal Note as saying that if we leave the law in place as it is right now, there will be \$2.2 million less for local governments in Fiscal Year 2000, \$.7 million less in Fiscal Year 2001, but he doesn't believe those constitute reductions from where we are right now. He said he believes that we are not taking money out of the local governments or out of the state budget.

SEN. STANG said that he also has concern about local governments, but they admit that they did get extra revenue because of what the legislature did to sport utility vehicles and pickups in the last session, and a good indication of that is that local governments did not oppose this bill when it came through committee.

SEN. ELLIS said that a compelling case has been made that this adjustment is needed on the value of these vehicles, and it is fair.

SEN. ECK said that she was intrigued by **Dean Roberts's** statement that the local governments did not really get a windfall because where they got more money for sports vehicles, they got less money from trucks, so that it was really revenue neutral. She said she would support this bill, but that she would like to see a rundown of how this fiscally affects county government in combination with **SEN. GLASER'S** bill and some of the other bills that have an effect on them. **CHAIRMAN DEVLIN** said that he had asked **Mr. Roberts** to provide numbers when the committee heard this bill on February 19, 1999, and he has not responded.

SEN. ELLINGSON said that in looking at the depreciation schedules, he saw some inconsistencies. For instance, on page 2,

line 12, current law requires that when a light truck is 16 years old, it would be taxed at 12% of its original value, and now this is reduced to 5%, and on sport utility vehicles, 15% is now reduced to 7%, and for automobiles it is 9%. He wondered what the thinking was behind these particular numbers and the whole depreciation schedule. **SEN. DEPRATU** said he got the numbers from **Dean Roberts, Department of Transportation**. **Mr. Roberts** had his people go back to 1997 and apply the same formulas that were used on passenger cars and vans to the trucks and SUVs. In 1997 the depreciation schedules were arbitrarily taken out. This just applies the same statistics that were used on cars and vans to pickups and SUVs.

SEN. ELLINGSON said that he agreed with that, but he wondered about the 16-year-old vehicles. He said in his experience a 16-year-old Jeep holds its value better than some other vehicles, and **SEN. DEPRATU** said that was true, but you also need to consider what the original values are. These are percentages of the MSRP, and it takes the value down to \$500, where it remains for the life of the vehicle.

Vote: Motion carried 9-0.

EXECUTIVE ACTION ON HB 405

Mr. Heiman distributed copies of amendments that had been requested by the Department of Revenue based upon questions about miniature golf courses during the hearing, and these amendments get rid of the language "enterprises generally recognized as golf courses are not miniature golf courses," and substitutes it with the existing language but lowering it from 3,000 lineal yards to 700 lineal yards, **EXHIBIT(tas47a03)**.

Motion: SEN. ELLIS MOVED THAT HB040501.ALH BE CONCURRED IN.
Motion carried 9-0.

Motion/Vote: SEN. ELLIS MOVED THAT HB 405 BE CONCURRED IN AS AMENDED. Motion carried 9-0.

ADJOURNMENT

Adjournment: 10:05 A.M.

SEN. GERRY DEVLIN, Chairman

SANDY BARNES, Secretary

GD/SB

EXHIBIT (tas47aad)